**MARKING SCHEME S4 ENTREPRENEURSHIP-COMPREHENSIVE-2021**

 **SECTION A.ANSWER ALL QUESTIONS ( 55 Marks)**

**1. Show the relationship between creativity, innovation and invention. (6 Marks)**

**Creativity**:  This refers to the application of a person’s mental ability and interest to discover something new. Creativity is the ability to think and act in ways that are new and novel. Creativity is the ability to think and act in ways that are new and fresh. In our minds, there are two kinds of creativity: innovation and invention.

 **Innovation**:  This refers to the development of new processes, methods, devices, products, and services for something that already exists. Innovation is thinking creatively about something that already exists (e.g., the tape recorder, Walkman, and CD player are all innovations on the phonograph).

**Invention** is creating something that did not exist before (e.g. the phonograph). A phonograph is a device that records or plays sound from cylinder records.

Therefore, the three terms are related in a way that both innovation and intention originate from creativity.

**2. Explain why being self-employer is better than working to others. (5 Marks)**

Self- employment. This is where an individual privately utilises his/her own resources to start and operate his/her own business enterprise. In other words, a self–employed person is an individual who gathers resources, starts a business, and manages it by him/herself.

Benefits of being self-employer

* High social status: Entrepreneurs command respect from society because they are perceived to be risk takers who create employment opportunities for people in a given economy; and they also provide income to their employees, hence improvement in employees’ standard of living.
* Self-employment and job security: There is high level of job security in self-employment. Entrepreneurs are certain of continuous employment until the collapse of their enterprise since they cannot dismiss themselves from work.
* Independence and flexibility in decision making: Entrepreneurs enjoys higher degree of independence because they are their own bosses, control and pay themselves. They are in control and have authority to decide on both the present and future trends of the business.
* Creativity and Innovation: Self-employment encourages creativity and innovation because entrepreneurs have independent decision making power and therefore have the opportunity to generate and implement new ideas in their own enterprises with ease.
* Growth and Profitability: Increase in growth and profitability benefits the owner. Business enterprises under the control of entrepreneurs have the ability to grow and make more profits because entrepreneurs are their own pay-masters and take all the profits.

**3. What are difference between values, skills and personal qualities? (6 Marks)**

Values are internal. They deal with the internal development of a person; the mind and heart. A person becomes fair in thought, speech, action, job or work. Skills only, make a person proficient. Values are a means of perfection of personality. To ‘become’ we need values. To ‘do’ we need skills. We all have different values and interests.

How best can we define qualities? Kind, helpful, caring, understanding, patient, and loving are some of the words that come to mind when asked to list the qualities of a good person. One can tell that a person is good by what they do, such as performing thoughtful deeds. But true qualities of a person only show when they are alone. You may see people donating money to charity, greeting their teachers but deep inside, they may be filled with anger or they do not have love for what they are doing. They may just be showing off.

Skill is ability to do anything.

**4. Describe any two legal institutions related to business in Rwanda. (5 Marks)**

 **Rwanda Revenue Authority (RRA)** is a body/institution that is responsible for assessing, collecting and enforcing tax laws. Rwanda Revenue Authority sensitises the public about the importance of paying taxes and the penalties of delaying, dodging and or refusing to pay tax

**Commercial Courts:**These are courts specialised in the handling of cases relating to business conflicts in Rwanda. Commercial courts settle business conflicts between disagreeing parties for example:

* Purchase of goods and services
* Transport agencies
* Miners and mining corporations
* Export and import of goods and services
* Brokers and jobbers

**Rwanda Commercial Registration Service Agency (RCRSA)** This is an institution that serves the purpose of proving registration information to both new and existing business.

**Rwanda Utility Regulatory Agency (RURA)** It is a government department that monitors and controls services and goods for example transport, energy, agricultural produce, telecommunication and broadcasting and the Authority has the following mandate:

**Rwanda Development Board**

5. **Using examples, explain any three components of marketing. (6 Marks)**

A marketing mix is often referred to as the “4p’s”, i.e. Product, Place, Price and Promotion. It is a term used to describe all the activities which go into marketing a product. To meet customers’ needs, a business must develop products to satisfy them, charge the right price, get the goods to the right place and it must make the existence of the product known through promotion.

**Product:** A product is something that is offered to a market. A product can be a good or a service. It can be a good such as a table or it can be a service for example insurance.

**The price:** Price is the amount paid by a consumer for a product. The fixing of a price level for a commodity is a vital component of a marketing mix. Price has a great impact on the consumer demand for a product. If price is set too low then the consumers may lose confidence in the quality of the product. If the price is too high, many consumers will not be able to afford the product.

**Place:** Get the goods to the right place.

**Promotion: This** involves ways of attracting customers to buy products either for the first time or to buy more of them.

**6. Describe any five functions of Rwandan Francs (Frw). (5 Marks)**

Money is something that is accepted as a form of payment for products or services, or for the payment of obligations. It is a medium of exchange with a specific value by which the value of all other things can be measured. Money is simply a common medium of exchange that everyone agrees upon thus, they accept it as a form of payment for their goods and services.

 Money by itself is not very useful. It is only useful because of what it can do and what it can help us do. The different functions of money:

* Medium of exchange
* Store of value
* Standard of deferred payments
* Money facilitates specialisation
* Unit of account and measure of value
* Money serves as tool of monetary policy
* Money facilitates borrowing/lending

7. **Explain any five importances of bookkeeping and accounting. ( 5 Marks)**

It helps in tax assessment. Taxes like customs duty, income tax, excise duty, etc., are levied by government depending on the records. To ensure proper assessment of taxes, book keeping records must be maintained properly to avoid under or over taxation by government.

* Book keeping acts as a tool for planning. This is because most entrepreneurs base their financial decisions according to sales, purchase, profits and investments.
* It acts as a tool of control. Book keeping enables entrepreneurs to keep records of all properties of the business, which helps to eliminate the possibility of theft and misappropriation.
* Book keeping helps an entrepreneur to ascertain whether the business has realized a profit or it has incurred a loss.
* It helps an entrepreneur in credit transaction. Most business transactions are carried out on credit basis i.e., buying or selling on credit. It would therefore be difficult for the entrepreneur to remember all the purchases or the sales made on credit without proper book keeping.
* Book keeping acts as a proof of financial position of a business. Knowing the assets (properties of the business) and liabilities (debts of the business) the entrepreneur can easily establish profiability or losses.
* It helps to solve disputes among business members e.g partnerships co-operatives etc.
* It acts as a center for reference whenever information about the business is required.
* It works for comparison purposes. For example, to compare the performance of business over time

**8. You want to do partnership with others in your business .Explain any three types of partnerships you know.(6 Marks)**

Active partner: This is one who contributes capital and takes part in the active management of the business. He/she also shares profits and losses jointly with other members of the partnership.

Dormant partner: This is one who does not take part in the active management of the business, but contributes capital and shares losses and profits of the business

Quasi partner: This is a partner who offers his/her name to be used as the name of the partnership. He/she does not contribute any capital to the business and does not take part in the active management of the business. He/she is not responsible for any debts and losses incurred by the business.

**9. Differentiate cash transaction from credit transaction. (5 Marks)**

 **A cash transaction** is when cash or cheque is used in buying and selling of goods and services. Buying something by paying cash or cheque instantly is called cash purchase while selling goods or services to someone for cash or cheque is called cash sale.

**Credit transaction** is when the business supplies or is supplied with goods or services without paying cash / on credit and receives payment or pays after a certain future date.

**10. Show us any three importances of business laws in Rwanda. (6 Marks)**

* The trade license ensures that all businesses are registered and operate legally.
* They reduce conflict between traders or service providers and their clients (customers) since business laws create an avenue for peaceful and just conflict settlement.
* Environmental law protects the society from the harmful effects that would result from the operation of some businesses on the environment.
* The public health law ensures that there is proper hygiene and sanitation in public places such as hotels, entertainment places, schools, etc. This protects us from infections.
* They prevent producers from producing and distributing poor quality products in markets.
* They also prohibit the business community from refusing to pay taxes due to them.
* The consumer protection law protects consumers from exploitation and exposure to harmful products.
* They prevent unethical competition and protect producers’ trademarks, intellectual rights etc.

**SECTION B: ANSWER ANY THREE AUESTIONS( 45 Marks)**

**11. a. With an example, what is transaction. (3 Marks)**

A transaction is an agreement between buyers and sellers to exchange goods and services for money.

Example: To withdraw or deposit money at the Bank, to pay goods with cash or card

**b. Explain any six major steps of accounting cycle. (12 Marks)**

The major steps involved in the accounting cycle are:

* Analysing and recording transactions from source documents
* Posting transactions to ledger accounts
* Preparing a trial balance
* Preparing adjusting entries
* Preparing adjusted trial balance
* Preparing financials.

**12. a. What is market survey? (1 Mark)**

Market survey refers to the process of gathering and analysing information about the market e.g brand loyalty, competitors, consumers’ tastes and preference etc. It intends to gather and analyse information about previous, current and future market anticipation.

 **b. Ordering and explain steps in market surveys. (14 Marks)**

* Finding a topic of research to study. This is the title of all the research work that has to be done in the field. For instance an evaluation of the influence of income levels of consumers’ business growth.
* Defining the research problem. This enables the entrepreneur to find out how to deal with the prevailing situation. This enables him/her to achieve his/her target.
* Setting of objectives detailing what the research wants to achieve at the end of the study. They should always be brief and SMART (systematic/specific, measurable, achievable, realistic, and time bound).
* Determine the scope. The researcher determines the boundaries of his study; that is to say areas to be covered and what to be included or excluded.
* Designing a clear plan on how to conduct data collection. The researcher collects data on a number of things such as price, product, promotion, target market, etc.
* Analysing data. This is done during and after the field study. It enables the researcher to know how the market will be in terms of demand.
* Presenting data. After data analysis, the researcher presents a report to the relevant authorities for action.

**13. The following items were extracted from AKARABO’S trial balance for the year ending on 31st December 2020**

 **Details RWF**

 **Stock 190,000**

**Sales 960,000**

**Rent 100,000**

**Cash at bank 10,600,000**

**Debtors 2,200,000**

 **Creditors 1,500,000**

**Motor van 8,300,000**

**Equipment 2,000,000**

**Rent payable 600,000**

**Telephone 1,900,000**

**Land 1,000,000**

**Salaries&wages 1,500,000**

 **Insurance 700,000**

**Raw materials 300,000**

**2 year loan 17,600,000**

**Bank overdraft 400,000**

**Calculate the owners’ equity using the information provided above.(15 Marks)**

ANSWER

Owner’s Equity = Total Assets – Total Liabilities

But Total Assets = Stock (190,000) + Cash at bank (10,600,000) + Debtors (2,200,000) + Motor Van (8,300,000) + Equipment (2,000,000) + Land (1,000,000) + Raw materials (300,000) = 24,590,000Rwf

Total Liabilities = Creditors (1,500,000) + Rent payable (600,000) + 2 year loan (17,600,000) + Bank Overdraft (400,000) = 20,100,000Rwf

Therefore, Owner’s Equity = 24,590,000Rwf – 20,100,000 Rwf = 4,490,000Rwf

1. **Show and explain the importance of each of the following:**
2. **Break –even point (BEP)(5 Marks)** this is a point of sales volume at which total revenue is equal to total cost. It is that point of sales volume at which total revenue is equal to total costs. It is a no-profit, no-loss point. Two approaches can be used to compute the BEP.
* It can help managers assess the effect of changing prices, sales volume and costs on profits.
* It helps small business owners to make decisions regarding whether to expand their operation or hire new employees.
* It helps a business owner to have a good handle on the quantity exported, the likely selling price and the variable costs involved.
* It equips the business owner with the potential application for basic business analysis, hence being able to make a good business.
1. **Payback period(4 Marks)**

Payback period: It is the minimum time required to recover the original cash outflow in the investment.

This is the most popular and widely used method of evaluating investment proposals. This method uses the minimum period in which the cash flows anticipate on the investment completely cover the initial outlays and other outflows as the yardstick for determining the viability of the investment. Payback period is the minimum period required to recover the original cash outflow in the investment.

Accept or reject criteria : the decision rule here is to select from competing investment a proposal that has the shortest payback period. Though, sometimes the projects may have a minimum payback period such that every investment with payback period less than the investor’s payback period will be viable.

Payback period = initial cash outlay/annual cash inflows

**c. Return on investment (3 Marks)**

 It is the anticipated profits on investment.

Return on investments (ROI) is sometimes given by the shareholders ratio. Shareholders ratio measures a return on the shareholders’ investment in the business, which is normally expressed as the ratio of dividends declared by the business to the par/market.

Returns on capital employed or investment

ROI = PBIT Capita employed × 100% ROI = PBIT CE × 100 Where:

 ROI is a return on investments PBIT is profit before interest and tax CE is capital employed Capital employed is sometimes referred to as equity plus long term debts. It’s usually calculated by the formula Capital employed = Total fixed asset + working capital CE = TFA + WC

**d. Return on Equity. (3 Marks)**

Measures the profitability of equity funds invested in the firm.The numerator of this ratio is equal to profit after tax less preference dividends. The denominator includes all contributions made by equity shareholders (paid-up-capital + reserves and surplus). This ratio is also called the return on net worth.

The return on equity measures the profitability of equity funds invested in the firm. It is regarded as a very important measure because it reflects the productivity of the ownership (or risk) capital employed in the firm. It is influenced by several factors of earning power, debt-equity ratio, average cost of debt funds, and tax rate. In judging all the profitability measures it should be borne in mind that the historical valuation of assets imparts an upward bias to profitability measures during an inflationary period. This happens because the numerator of these measures represents current values, whereas the denominator represents historical values.The return on equity is defined as; Equity earnings over Average equity.